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SUBJECT: IRAN/TRR: INITIAL REACTION FROM JUSCANZ AND OTHER
INFLUENTIAL BOARD MEMBERS

Classified By: Ambassador Glyn Davies for reasons 1.4 b and d

¶1. (C) Ambassador Davies reviewed the outcome of the pentagonal (Iran, Russia, France, U.S.) IAEA-led talks on refueling the Tehran Research Reactor (TRR) and next steps in separate briefings with JUSCANZ (Japan, Canada, Australia, New Zealand plus ROK) October 22 and a subset of influential IAEA Board members (Brazil, Argentina, South Africa, Malaysia, Egypt and Pakistan) October 23. With both groups, and in a bilateral meeting with Israeli Ambassador also on October 23, Ambassador emphasized the centrality of DG ElBaradei and institutional IAEA role in brokering the draft project and supply agreement (PSA) and in the placing the Iranian LEU under IAEA custody. He characterized TRR re-supply as a humanitarian and confidence building measure contingent on export of the full 1200 kg of Natanz LEU within the proscribed year's end timeframe. Pending acceptance by Iran and expected agreement by Russia and France, the hope was to bring the PSA to the November Board for approval. For our part, Ambassador shared that the U.S. had subscribed to a political declaration of support, appended to the PSA, to include IAEA technical assistance on reactor safety upon implementation of the agreement. With the JUSCANZ he noted the helpful Russian role in the negotiations and Iran's failed gambit to split the P5 plus 1 by questioning the French role. (DCM covered the same ground with Turkish and Italian counterparts who took a view close to ours.) In a phone conversation with Sweden's EU Presidency Ambassador Hans Lundborg, Ambassador Davies provided a report on the TRR negotiations and asked for his support as the process moves forward. Lundborg responded positively.

¶2. (C) JUSCANZ members were broadly supportive but cautious. Canada noted the self-evident importance of U.S. leadership and involvement, which Ambassador Davies acknowledged was the sine qua non for Iran. Japanese Ambassador Nakane raised reservations about implicitly legitimizing Iran's enrichment capacity or being seen to reward Iran for non-compliance. Ambassador Davies explained that this was a CBM limited in scope to the TRR with no implications as to the need for Iranian compliance with UNSCRs and Board requirements on suspension. Australia and Canada agreed that the TRR deal was a "risk worth taking"; Australian Ambassador Potts assessed that albeit imperfect, this was a creative potential way forward for political engagement. South Korea characterized the deal as a small though insufficient step in the right direction. Drawing parallels to DPRK behavior, ROK cautioned as to the potential for backtracking by Iran while Japan likewise questioned Iran's motivations. (Note: ROK also reported that Iranian FM Mottaki would soon visit DPRK. End note.) The JUSCANZ further discussed the problem of balancing the potential positive news on the TRR deal with the negative disclosure on Qom both in the context of the

November Board and in public statements on Iran. (Comment: These would be separate items on the November Board agenda. We will also have more information as to the conduct of Qom inspection from which to cue our position in advance of the Board. End comment). Japan also asked about a UNSCR (given that UNSCR 1737 prohibits export of nuclear material from Iran) to effectuate the TRR deal, which Ambassador noted was probably not needed.

¶3. (C) Separately, influential NAM and G-77 Board members (Brazil, Argentina, South Africa, Malaysia, Egypt and Pakistan) peppered Ambassador Davies with technical questions on the PSA's conformity with IAEA practice and the follow-on commercial arrangements. Argentine Ambassador Curia took particular note of the new element of IAEA custody of the material at all stages, which Ambassador Davies and DCM explained was a linchpin of the deal. Curia asked if the Secretariat had authority to take custody of the material. Informed that IAEA attorneys had mentioned a precedent involving Iraq, Curia asked if that case has occurred at a time "Iraq had a government" or if it had been under "provisional" authority; we noted our understand that precedent lay in the 1990s but undertook to confirm. Argentina and Brazil were interested to hear that Chile could be another potential supplier of fuel elements, in addition to France. Curia wanted to understand precisely the provisions made for France to be party to the PSA. Asked by Malaysia about any advantage to Iran in getting 19.75 percent fuel in return for the Natanz 3 percent LEU, Ambassador Davies explained that proliferation concerns were mitigated by the technical difficulty of deconstructing silicide fuel (in order to gassify and further enrich the uranium) and the fact that it would be under IAEA safeguards with the whole

world watching.

¶4. (C) Like Japan the day before, South Africa, joined by Argentina and Egypt, honed in on the issue of legitimizing Iranian enrichment. Ambassador Davies denied any presumption that this limited deal reflected a change in the U.S. position or UNSC/Board requirements on suspension. Asked by Egypt if such a deal could be repeated, Ambassador noted the imperative for Iranian compliance and the lack of other civilian need for enrichment (given that the TRR would be fueled for 10-15 years and Russia provides fuel for Bushehr).

Egypt also queried whether a UNSCR was needed and the firmness of the deadline for Iran's response (Friday, October 23). Ambassador explained the DG's insistence on sealing this deal as a demonstration of good faith, adding that time was of the essence also from a technical standpoint of continued operation of the TRR before (as Iran claims it runs out of fuel end 2010). (Comment: These influential NAM/G-77 Board members seemed to be withholding judgment, waiting to see if the TRR deal was workable and trying to figure out what was in it for Iran. In a discussion with DCM, India also expressed deep skepticism about Iran's intentions and its willingness to give up the leverage it enjoys from the

Natanz material. End Comment.)

¶5. (C) Receiving a comparable briefing from Ambassador Davies, Israel's relatively new Ambassador Ehud Azoulay asked if the U.S. would "cross-check" that Iran is truly producing medical isotopes in the research reactor. He noted that 1200 kg of LEU was not a great amount for Iran to have to replace through the ongoing enrichment at Natanz; the "basic problem" from the Israeli perspective was only postponed. Ambassador Davies noted in reply there had been no indication of diversion of material from the TRR in the past. He agreed with Azoulay that, were Iran to refuse the deal brokered by ElBaradei, it would clearly undercut Iran's claim to purely peaceful intentions and would shift emphasis back to the sanctions track of our dual-track approach. Ambassador Davies acknowledged his concern that ElBaradei may receive at first only a "half-answer" from Tehran that plays for time.

DAVIES